

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

## **1. Summary of Significant Accounting Policies**

### **A. Reporting Entity**

**Primary Government.** Chesterfield County, Virginia (County) is a political subdivision of the State of Virginia governed by a five-member elected Board of Supervisors (County Board). The accompanying financial statements for the primary government and its component units are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

In June 1999, GASB issued their Statement Number 34 titled "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." This statement, known as the "Reporting Model" statement, restructures much of the information the County has presented in the past.

GASB Statement Number 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The new reporting model consists of the following:

- Management's Discussion and Analysis (MD&A) -- MD&A introduces the basic financial statements and provides an analytical overview of the primary government's financial activities. It describes the currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.
- Basic Financial Statements. – The basic financial statements include both government-wide and fund statements and notes. The notes are an integral part of the financial statements and communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the statements. Required budgetary comparison statements are presented as part of the basic financial statements.
- Required Supplementary Information (RSI) -- RSI reports other types of data required by GASB Statements.

**Discretely Presented Component Units.** The component unit columns/rows in the government-wide financial statements include the financial data of the County's component units. They are reported in separate columns/rows to emphasize that they are legally separate from the County.

1. The Chesterfield County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. The five members of the School Board are elected for a four-year term. The members of the current School Board were elected in November 1999. The School Board functions independently of the County Board and County administration, but is required to prepare and submit an annual budget to the County Board for approval. The local costs of the school system are provided in part by appropriation from the County's General Fund because the School Board can neither levy taxes nor incur indebtedness under Virginia law. Bonds issued as County general obligations and capital appropriations from the County's General Fund provide the cost of constructing school facilities. The School Board is reported as a discretely presented component unit of the County because (1) its budget must be approved by the County and (2) it is fiscally dependent upon the County. Complete financial statements of the School Board are included as a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplemental information section.
2. The Chesterfield County Health Center Commission (Health Center Commission) is responsible for operating a long-term care facility (Lucy Corr Village) in a professional and cost-effective manner providing high quality nursing home care for its residents. The Health Center Commission is reported as a discretely presented component unit of the County because (1) the County Board appoints the seven members of the Health Center Commission and (2) the County annually provides them operating subsidies. The Health Center Commission is accounted for as a proprietary fund type. Complete

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financial statements for the Health Center Commission may be obtained at the entity's administrative office at 6800 Lucy Corr Court, Chesterfield, Virginia 23832.

**B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the County as a whole) and the fund financial statements. All non-fiduciary activities are categorized as either governmental or business-type in both the government-wide and fund statements. Fiduciary activities, whose resources are not available to finance the County's programs, are not included in the government-wide statements.

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities that reflects a full economic resource measurement focus and the accrual basis of accounting. The Statement of Net Assets presents the assets, liabilities and net assets of the governmental and business-type activities by columns. In the Statement of Activities both the gross and net cost per individual function are reported for both governmental and business-type activities. Related program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by the function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the function. The County does not allocate indirect expenses. Taxes and other revenues not related to a particular function are reported as general revenues.

In the fund financial statements, financial transactions and accounts are organized on the basis of funds. Fund financial statements consist of a series of statements that focus on the information about the County's major governmental and enterprise funds. The fund statements for governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fiduciary fund statements are used to report assets that are held in a trustee or agency capacity and consist of a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

All the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Generally, revenues are considered available only if the monies are received within 45 days after the end of the accounting period and are due on or before the last day of the accounting period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recorded when paid.

Real and personal property taxes are recorded as deferred revenue and receivables when billed, net of allowances for uncollectible amounts. During the fiscal year, property tax collections are recorded as revenues and deferred revenue is reduced. Property taxes for the current and prior years, not collected within 45 days after year-end, remain recorded as deferred revenue. Sales taxes, which are collected by the State by year-end and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State, which is generally in the month preceding receipt by the County.

Licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available.

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The County reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

The non-major governmental funds of the County are:

**Grants Fund** – The Grants Fund accounts for the proceeds related to federal and state grant programs that are legally restricted to expenditures for specific purposes.

**Comprehensive Services Fund** – The Comprehensive Services Fund is used to account for the financial resources related to providing child centered, family focused and locally based services for at-risk youth.

**T. F. Jeffress Memorial Fund** – The T. F. Jeffress Memorial Fund is used to account for the financial activity related to trust assets designated to assist in the maintenance of Camp Baker, a camp located in the County for mentally disabled individuals.

Proprietary Funds are used to account for the reporting entity's ongoing organizations and activities similar to those often found in the private sector. The County reports the following proprietary funds:

**Enterprise Funds:**

**Water Fund** – The Water Fund reflects the operations of the County's water system and is reported as a major fund.

**Wastewater Fund** – The Wastewater Fund reflects the operations of the County's wastewater system and also is reported as a major fund.

**Airport Fund** – The Airport Fund reflects the operation of the County's Airport and is reported as a non-major fund.

**Internal Service Funds** - Internal service funds are used to account for the operations of the vehicles and communications maintenance, general self-insurance functions, and construction management. Resources to meet the cost of operations are derived from interfund charges on a cost-reimbursement basis.

Additionally, the County reports the following fund category:

**Fiduciary Funds** – Fiduciary funds are used to account for the supplemental retirement pension trust and agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Chesterfield County has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the financial statements except for program-related services such as water and wastewater usage, inspections and permit issuances. Eliminations of these program-related services would distort the direct costs and program revenues reported.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided, operating grants and contributions and capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

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Operating revenues and expenses in the proprietary funds result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for the enterprise and internal service funds include the cost of services, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The connection fee charged to connect to the County's water and wastewater system consists of a capital recovery charge and a meter installation charge. The capital recovery charge will be used to finance future capital improvements, whereas the meter installation charge recovers the cost of the meter and its installation. In accordance with industry practice, capital recovery charges of \$9,077,351 and \$3,634,134 have been credited to capital contributions in the Water and Wastewater Enterprise Funds, respectively and the meter installation fee has been classified as charges for services in the Water Enterprise Fund.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Proprietary and similar fund types consider cash and all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash and cash equivalents.

**2. Investment Policy**

The reporting entity follows a deposit and investment policy in accordance with the Commonwealth of Virginia statutes. Investments with a maturity date of more than one year from the date of purchase are stated at fair value and investments with a maturity date of one year or less from the date of purchase are stated at amortized cost in accordance with GASB Statement No. 31. Deposit and investment instruments include certificates of deposit, bankers' acceptances, Commonwealth of Virginia Local Government Investment Pool, repurchase agreements and US Government securities. Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1-359 et seq. Securities are held in safekeeping by the respective financial institutions. Repurchase agreements are collateralized by securities at market values sufficient to cover the principal amount of the investment. Investment income is reported in the same fund that reports the investment.

**3. Allowances for Uncollectibles**

The reporting entity determines allowances for uncollectibles using historical collection data, specific account analysis and management's judgment.

**4. Inventories**

Inventories are valued at the lower of average cost (first-in, first-out) or market for the Enterprise and Internal Service Funds of the primary government. In the School Board component unit, inventories are valued at the lower of cost (moving average) or market. Inventory items are considered expended when used (consumption method).

**5. Restricted Assets – Enterprise Funds**

Certain assets of the Water and Wastewater Funds are classified as restricted assets on the Statement of Net Assets – Proprietary Funds because their use is limited by revenue bond restrictions.

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**6. Capacity Rights – Enterprise Funds**

Capacity rights are recorded in the Water and Wastewater Funds. On December 1, 1989, the County entered into an agreement with the City of Richmond (City) to purchase capacity rights from the City to meet future water needs. On July 2, 1996, the County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights, created the South Central Wastewater Authority to maintain wastewater treatment and related facilities and provide capacity for purchase by the participating jurisdictions. Changes in capacity rights are as follows:

	Balance June 30, 2001	Current Additions	Current Amortization	Balance June 30, 2002
Water Capacity Rights	\$ 30,006,067	\$ 199,319	\$ 607,889	\$ 29,597,497
Wastewater Capacity Rights	4,160,689	-	118,877	4,041,812

Water capacity rights are amortized based on actual usage for the year divided by expected usage over the life of the agreement with the City of Richmond. Wastewater capacity rights are amortized over 40 years using the straight-line depreciation method.

**7. Capital Assets**

Capital assets include property, plant, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items). The standard for capitalization of tangible property is \$5,000 or more per unit with an expected useful life of greater than two years. The standard for capitalization of computer software is \$50,000 with an expected useful life greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets acquired for general governmental purposes are recorded as expenditures in the fund financial statements and capitalized at cost in the government-wide financial statements. Contributed capital assets are recorded at estimated fair market value at the time of receipt. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is reflected in the results of operations in the government-wide statements.

Capital assets are reported in the business-type activities funds at cost. Contributed assets are valued at estimated fair market value at the date of receipt. When capital assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the results of operations.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives of capital assets are as follows:

Buildings	40-60 years
Improvements other than buildings	8-25 years
Machinery and equipment:	
Transmission lines and mains	35-50 years
Other	3-20 years
Infrastructure:	
Drainage systems	70 years

Depreciation of all exhaustible fixed assets used by County is charged as an expense in the Statement of Activities and accumulated depreciation is reported in the Statement of Net Assets. The Proprietary Funds also record depreciation and accumulated depreciation in their fund based statements and capitalize interest, when material in amount.

Interest costs of \$434,977 in the business-type activities of the primary government were capitalized during the fiscal year.

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**8. Compensated Absences**

County and School Board employees are granted vacation pay due to length of service in varying amounts as the services are provided. Employees may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated for certain amounts at their current rates of pay. Employees may accumulate an unlimited amount of earned but unused sick leave benefit, which is forfeited upon separation from service, except when separation is caused by the retirement of employees. Upon retirement of County employees, up to \$2,500 in accrued sick leave benefits are payable to the employee. Upon retirement of School Board employees, \$20 per accrued sick leave day up to a maximum of \$4,000 is payable to the employee. The cost of accumulated vacation and sick leave pay is accounted for as a liability in the government-wide financial statements and proprietary fund type statements.

**9. Retirement Plans**

Retirement plan contributions, with the exception of the School Board Supplemental Retirement Program, are actuarially determined and consist of current service costs and amortization of prior service costs over a 40-year period. The policy is to fund pension costs at actuarially determined rates. The County and School Board funded the Virginia Retirement System (VRS) Plan using an actuarially determined rate. The County made a contribution to its Supplemental Retirement Plan in 2002, which was equal to the annual required contribution. Retirement contributions for the School Board Supplemental Retirement Program are based on savings derived from employees electing to retire under the Plan. The School Board made a contribution to its Supplemental Retirement Program in 2002, which was more than the required contribution.

**10. Long-term Obligations**

The reporting entity has no legal debt margin requirement and no overlapping debt. Any issue of general obligation bonded debt, except State Literary Fund loans and Virginia Public School Authority (VPSA) bonds, must be approved by a voting majority of the qualified voters. Revenue bonds may be issued by the adoption of a resolution by the County Board.

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Repayments and issuance costs are reported as debt service expenditures.

**2. Stewardship, Compliance, and Accountability**

**A. Budgetary Accounting**

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ Prior to budget submission, department directors develop long-range strategic plans, objectives, performance measures, and work plans for the coming year. These plans are reviewed and approved by the County Administrator.
- ◆ In September, the School Board receives an expenditure target from the County Administrator.
- ◆ In November, departments receive an expenditure target. Budgets are prepared with work plans modified to be consistent with the resources available.

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- ◆ Departments submit budgets and work plans to the County Administrator for review in January. Requests for additional funding are negotiated and the County Administrator's recommended budget is prepared by early March. During this time, work sessions are held with the County Board to keep them informed of the status of the budget.
- ◆ No later than March 1, the School Board submits its proposed budget to the County Administrator.
- ◆ Prior to March 15, the County Administrator submits to the County Board a proposed operating budget for the County and School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ A public hearing is conducted to obtain taxpayer comments.
- ◆ Prior to May 1, the County Board adopts the budget by resolution and funds are appropriated generally at the function level for the General Fund, at the fund level for the Comprehensive Services Fund, and at the major category of expenditures for the School Operating Fund of the School Board component unit, (which are state reporting requirements), through passage of an appropriation resolution. The categories for the School Operating Fund are: instruction, administration plus attendance and health, pupil transportation, operation and maintenance, food service and payment to Chesterfield County for debt service. These are the levels of control at which expenditures may not legally exceed appropriation.
- ◆ Formal budgetary integration is employed as a management control device during the year for all funds. Budgets are legally adopted annually for the County's General Fund, the Comprehensive Services Fund and the School Operating Fund. The budget resolution specifies that Trust and Agency disbursements must be for the purpose for which the fund was established.
- ◆ A budget is adopted for each grant or project in the Grants Fund or the County Capital Projects Fund when funds become available. In the Capital Projects Fund of the School Board, projects are appropriated in total when funds become available. The budget resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project. All other appropriations lapse at year-end. Budgets for these grants and projects are not included herein since they are not legally adopted annually. The level of control at which expenditures may not legally exceed appropriations is at the individual grant or project level in the Grants Fund and Capital Projects Fund of the County and at the total appropriation level in the Capital Projects Fund of the School Board.
- ◆ Budgets for all funds are adopted on a budgetary basis. Budgeted amounts reflected in the basic financial statements are as originally adopted or as amended by the County Board, School Board, County Administrator or the School Superintendent. The statements include an explanation of differences between actual amounts on the budgetary basis and the GAAP basis.
- ◆ The County Administrator is authorized to amend appropriations by transferring unencumbered appropriated amounts within appropriation categories, or to increase any appropriation category up to \$20,000. The County Administrator is also authorized to (1) appropriate any unanticipated revenues that are received from insurance recoveries received for damage to County property, and donations made by citizens or citizen groups in support of County programs, (2) appropriate funds from asset forfeiture for drug enforcement; (3) increase the General Fund appropriation to the School Board, contingent upon available funds and consideration of other expenditures up to \$4.5 million; (4) appropriate funds for certain expenditures required by legal mandates; (5) transfer funds to departments for worker's compensation, consistent with the Risk Management program, supplemental retirement, and healthcare for retirees, and; (6) reallocate funding sources for specific programs. Otherwise, amendments that increase the total appropriation of any function level must be approved by the County Board. During the year, the County Board approved several amendments to the various appropriations. If an increase in the budget exceeds \$500,000, a public hearing is used to receive public input prior to the amendment being approved.
- ◆ The Superintendent and/or School Board has the authority to make transfer amendments within major appropriation categories. The Superintendent and/or School Board is authorized to approve amendments that cross major appropriation categories up to \$499,999. Any amendment that crosses major appropriation categories in excess of \$499,999 must first be approved by the School Board and then by the County Board.

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The County Administrator has the authority to appropriate any unanticipated revenues that are received from insurance recoveries and reimbursements made to the School Board for damage to School Board property for amounts up to \$20,000. County Board approval is required to appropriate donations made by citizens or citizen groups in support of School Board programs.

**B. Fund balances**

Fund balance-reserved represents that portion of fund balance not available for appropriation or expenditure.

Fund balance-designated represents amounts that the County Board or management has identified for future spending.

These reserved and designated amounts of the primary government were composed of the following at June 30, 2002:

	<b><u>General Fund</u></b>	<b><u>Capital Projects Fund</u></b>	<b><u>Other Governmental Funds</u></b>
<b>Reserved:</b>			
Construction	\$ 42,643,041	\$ 8,657,907	\$ -
Encumbrances	3,185,065	8,877,429	-
Advance to Health Center Commission	975,000	-	-
Specific programs	-	-	852,448
Other	<u>795,559</u>	<u>150,000</u>	<u>-</u>
Total fund balances - reserved	<u>\$ 47,598,665</u>	<u>\$ 17,685,336</u>	<u>\$ 852,448</u>
<b>Designated:</b>			
Debt service	\$ 351,097		
County capital projects	1,536,312		
School Board capital projects	31,287		
Future expenditures	21,019,971		
Other	<u>363,242</u>		
Total fund balances - designated	<u>\$ 23,301,909</u>		

**C. Deficit Fund Equity**

The Comprehensive Services Fund, a non-major governmental fund, had a deficit fund balance of \$60,265 at June 30, 2002, because the local share of expenditures was greater than anticipated, therefore exceeding local match funding. Management anticipates this deficit will be eliminated through future appropriations.



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**3. Significant Transactions of the County and Discretely Presented Component Unit – School Board**

There are some transactions between the County and School Board component unit that are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements:

- 1) The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt 'on behalf' of the School Board. The debt obligation is recorded as a liability of the County's governmental activities. The proceeds from the debt issued 'on behalf' of the School Board are recorded in the County's General Fund. Money, in an amount equal to the proceeds received, is then provided to the School Board's Capital Projects Fund to pay for capital expenditures. Any unspent money at year-end is reported as investments of the School Board.
- 2) The County's charter states that title to all real property of the school system shall be vested in the County. The County provides the School Board with funding to purchase and/or construct real property (land, buildings, improvements other than buildings, and construction in progress) for use in school operations. Due to the charter, the value associated with the purchase and/or construction of School Board real property is reported as capital assets in the governmental activities of the County. Depreciation and accumulated depreciation related to School Board real property is reported in the County's governmental activities within the appropriate government-wide statement.
- 3) The primary government's budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. These transactions are reported as transfers on the primary government's Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and as transfers and debt service payments on the School Board's Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. GAAP requires that debt issued "on behalf" of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, the School Board reports debt service payments as payments to the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. The primary government records this amount as a payment from the School Board and as debt service expenditures for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
- 4) If all economic resources associated with school activities were reported with the School Board, its total expenses would be \$359,553,003. That expense is obtained as follows:

Expenses of School Board - Component Unit (Exhibit II)	\$ 428,579,077
Capital assets provided to the County; included in payment to primary government from School Board of \$92,264,494.	(54,776,653)
Depreciation on assets provided to the County (Footnote 8); included in Education function line of the primary government	9,967,044
Principal and other debt service expenses are included in the payment to primary government from the School Board of \$92,264,494.	<u>(24,216,465)</u>
Total expenses for school activities	<u><u>\$ 359,553,003</u></u>

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**4. Deposits and Investments**

**A. Deposits**

At June 30, 2002, deposits at carrying value consisted of the following:

	<b><u>Primary Government</u></b>	<b><u>Component Units</u></b>	
		<b><u>School Board</u></b>	<b><u>Health Center Commission</u></b>
Cash on hand, cash items and petty cash	\$ 1,240,844	\$ 74,784	\$ 200
Demand deposits, savings accounts and certificates of deposit with banks and savings and loans	46,755,808	6,361,165	1,629,309
Paine Webber Money Market Fund	70,556,264	3,290,682	-
Commonwealth of Virginia Local Government Investment Pool	<u>103,091,296</u>	<u>6,045,275</u>	<u>-</u>
	<b><u>\$ 221,644,212</u></b>	<b><u>\$ 15,771,906</u></b>	<b><u>\$ 1,629,509</u></b>

The County bank balance of demand deposits, savings accounts and certificates of deposit, which is different from the carrying value because of reconciling items such as outstanding checks and deposits in transit, was \$54,290,458. Of the bank balance, the entire amount was covered by Federal depository insurance or collateralized in accordance with the provisions of the Virginia Security for Public Deposits Act. The Act requires financial institutions holding public deposits in excess of amounts covered by Federal insurance to pledge collateral to a multiple financial institution collateral pool in the name of the State Treasury Board. Banks must pledge collateral in the amount of 50% of excess deposits, while savings and loans are required to collateralize 100% of excess deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. A multiple financial institution collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Accordingly, all deposits in banks and savings and loans are considered to be insured.

The bank balance for the School Board, a discretely presented component unit, was \$6,815,277. Of the bank balance, the entire amount was covered by Federal depository insurance or collateralized in accordance with the provisions of the Virginia Security for Public Deposits Act.

The bank balance for the Health Center Commission, a discretely presented component unit, was \$1,274,738. Of the bank balance, the entire amount was covered by Federal depository insurance or collateralized in accordance with the provisions of the Virginia Security for Public Deposits Act.

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**B. Deposits and Investments with Fiscal Agents and Trustees**

At June 30, 2002, the primary government had deposits of \$4,255,680 and investments of \$36,518,684 with fiscal agents and trustees totaling \$40,774,364 representing funds to meet debt service requirements in accordance with the various bond resolutions and trust indentures and to meet current and future costs of the County Supplemental Retirement System. Deposits were collateralized in accordance with the provisions of the Virginia Security for Public Deposits Act. The types of investments made by the County's fiscal agents and trustees are governed by the various bond resolutions and trust indentures in accordance with statutes of the Commonwealth of Virginia. The investments are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes insured or registered investments held by the County or its agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by a counterparty's trust department or agent in the County's name. Category 3 includes uninsured or unregistered investments for which the securities are held by a counterparty, or held by the counterparty's trust department or agent, but not in the County's name. These investments, except for an open-end mutual fund relating to the County Supplemental Retirement Fund and Commonwealth of Virginia State Non-Arbitrage Program (SNAP), at June 30, 2002 are categorized as follows:

	<b>Category</b>			<b>Reportable Cost</b>	<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>		
Stocks and bonds - County Supplemental Retirement Plan	\$ -	\$ 7,412,675	\$ -	\$ 7,412,675	\$ 7,412,675
Other direct obligations of the US Government, 5.75% - 6.50%, maturing from August 28, 2002-August 15, 2004,	-	25,862,539	-	25,862,539	25,862,539
	<u>\$ -</u>	<u>\$ 33,275,214</u>	<u>\$ -</u>	33,275,214	33,275,214
Investment in Commonwealth of Virginia State Non-Arbitrage Program				2,470,130	2,470,130
Open-end mutual fund - County Supplemental Retirement Plan				<u>773,340</u>	<u>773,340</u>
				<u>\$ 36,518,684</u>	<u>\$ 36,518,684</u>

At June 30, 2002, the School Board had fiduciary net asset deposits of \$9,119,972 and investments of \$45,128 with fiscal agents and trustees totaling \$9,165,100, representing funds to meet current and future costs of the School Board Supplemental Retirement Program. The School Board investments with fiscal agents and trustees consist of open-end mutual funds totaling \$45,128 which are not categorized.

To ensure compliance with the restrictions and requirements created by the Federal Tax Reform Act of 1986 for general obligation tax exempt bonds issued, the bond proceeds are invested with SNAP. SNAP is a professionally managed money market program which provides local governments with a method of pooling general obligation and note proceeds for temporary investment. SNAP assists issuing officials in complying with the arbitrage rebate requirements of the Internal Revenue Code of 1986 and the pool invests only in those instruments permitted by Virginia statutes. SNAP is registered with the Securities and Exchange Commission. The fair value of the County's position in the pool is the same as the value of the pool shares. Investments in the SNAP fund and the open-end mutual fund are not subject to categorization as to assumed risk because in the aggregate, they are considered pooled investments in nature and are not evidenced by securities that exist in physical or book entry form.

At June 30, 2002, the Health Center Commission had a guaranteed investment contract of \$1,289,622 with fiscal agents and trustees which is not categorized.

Repurchase agreements are collateralized by securities at market values sufficient to cover the face value of the investment.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**C. Investments**

The reporting entity's investment policies are governed by statutes of the Commonwealth of Virginia. Permissible investments include obligations of the United States, its agencies and instrumentalities, time certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper, the Commonwealth of Virginia Local Government Investment Pool and the Commonwealth of Virginia's SNAP. In addition to these types of investments, stocks and bonds with a fair value of \$593,400 were issued in the County's name and were acquired from the Chesterfield Police Pension and Retirement Fund when the County became part of the Virginia Retirement System. The investments, except for those relating to SNAP, are categorized as follows in accordance with category descriptions as described previously in Section B. of this note:

	<b>Category</b>			<b>Reportable Cost</b>	<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>		
Stocks and bonds	\$ 593,400	\$ -	\$ -	\$ 593,400	\$ 593,400
Other direct obligations of the US Government, 1.77% - 4.50%, maturing from July 19, 2002 - June 10, 2004	-	87,442,242	-	87,442,242	87,455,368
	<u>\$ 593,400</u>	<u>\$ 87,442,242</u>	<u>\$ -</u>	88,035,642	88,048,768
Investment in Commonwealth of Virginia State Non-Arbitrage Program				9,258,719	9,258,719
				<u>\$ 97,294,361</u>	<u>\$ 97,307,487</u>

In addition, at June 30, 2002, School Board investments consisted of \$20,283,874 invested in SNAP relating to school construction projects.

Repurchase agreements are collateralized by securities at market values sufficient to cover the face value of the investment.

Due to significantly higher cash flows at certain times during the year other than at year-end, investment in repurchase agreements varies. During the fiscal year 2002, the amounts invested in repurchase agreements did not exceed \$22.9 million.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

**5. Receivables**

A. Receivables at June 30, 2002, were as follows:

**1. Governmental Activities**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total</b>
Taxes	\$ 102,260,549	\$ -	\$ -	\$ -	\$ 102,260,549
Accounts	6,419,616	734,259	395,221	11,142	7,560,238
Interest	104,589	7,650	-	-	112,239
Commonwealth of Virginia	14,472,703	-	1,075,434	-	15,548,137
Federal government	<u>-</u>	<u>-</u>	<u>379,328</u>	<u>-</u>	<u>379,328</u>
Gross receivables	123,257,457	741,909	1,849,983	11,142	125,860,491
Less: Allowance for uncollectibles	<u>(4,674,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,674,600)</u>
Net receivables	<u>\$ 118,582,857</u>	<u>\$ 741,909</u>	<u>\$ 1,849,983</u>	<u>\$ 11,142</u>	<u>\$ 121,185,891</u>

**2. Business-type Activities**

	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Non-major Airport Fund</b>	<b>Total</b>
Accounts	\$ 3,903,242	\$ 3,701,425	\$ 42,214	\$ 7,646,881
Interest	73,283	560,096	-	633,379
Special assessments	192,844	152,966	-	345,810
Other	328	-	-	328
Commonwealth of Virginia	-	-	6,210	6,210
Federal government	<u>-</u>	<u>-</u>	<u>367,196</u>	<u>367,196</u>
Gross receivables	4,169,697	4,414,487	415,620	8,999,804
Less: Allowance for uncollectibles	<u>(64,352)</u>	<u>(52,312)</u>	<u>-</u>	<u>(116,664)</u>
Net receivables	<u>\$ 4,105,345</u>	<u>\$ 4,362,175</u>	<u>\$ 415,620</u>	<u>\$ 8,883,140</u>

**3. Component Units**

	<b>School Board</b>	<b>Health Center Commission</b>
Accounts	\$ 147,501	\$ 1,056,542
Commonwealth of Virginia	1,309,453	-
Federal government	<u>4,073,157</u>	<u>-</u>
Gross receivables	5,530,111	1,056,542
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 5,530,111</u>	<u>\$ 1,056,542</u>

Special assessments of \$168,514 and \$141,175, in addition to \$411 and \$152,335 of accrued interest, respectively in the Water and Wastewater funds are the only receivables not expected to be collected within one year.

**B. Real and Personal Property Taxes**

Property tax revenues may be used to fund any general governmental services authorized by the Code of Virginia and the County Board. Property taxes levied by the County are not subject to any statutory maximum; however, a public hearing must be held prior to setting the current tax rate. The tax rate is set by the County Board in March or April and is applied to the assessed value as of January 1 of the calendar year. The assessed value of all classes of property approximates market value. January 1 is also the date an enforceable legal claim to the asset applies. Real property taxes are due June 5<sup>th</sup> and December 5<sup>th</sup> in two equal installments. Installments due on June 5<sup>th</sup> are levied for fiscal year 2002 and installments due on December 5<sup>th</sup> are levied for fiscal year 2003.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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The County prorates personal property taxes levied on motor vehicles acquiring or losing situs (place where property is customarily kept) after January 1. Personal property taxes do not create a lien on property; however, County vehicle licenses, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes. Personal property taxes are payable on June 5 and levied for fiscal year 2002.

In April 1998, the Virginia General Assembly passed Senate Bill 4005, the Personal Property Tax Relief Act of 1998. The bill provides for the state to reimburse a portion of the tangible personal property tax levied on personal use cars, motorcycles and trucks. Reimbursement rates are contingent upon the state meeting revenue projections. If projections are not met, the rates to localities will be frozen at the previous level. The reimbursement rate was 70% for tax year 2002. Revenue for the state reimbursement is recorded as non-categorical aid from the state.

## 6. Payables

Payables at June 30, 2002, were as follows:

### A. Governmental Activities

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total</b>
Vendors	\$ 3,505,388	\$ 1,978,305	\$ 719,157	\$ 577,986	\$ 6,780,836
Wages and benefits	5,089,121	11,930	168,912	160,097	5,430,060
Retainages	-	1,263,227	-	-	1,263,227
Total	<u>\$ 8,594,509</u>	<u>\$ 3,253,462</u>	<u>\$ 888,069</u>	<u>\$ 738,083</u>	13,474,123
			Accrued interest		7,712,272
			Totals per Government-wide		<u>\$ 21,186,395</u>

### B. Business-type Activities

	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Non-major Airport Fund</b>	<b>Total</b>
Vendors	\$ 1,767,408	\$ 766,721	\$ 148,544	\$ 2,682,673
Wages and benefits	235,978	224,415	8,588	468,981
Accrued interest	6,066,667	12,151,552	2,962	18,221,181
Retainages	151,713	185,450	43,201	380,364
Other	225,644	17,669	-	243,313
Total	<u>\$ 8,447,410</u>	<u>\$ 13,345,807</u>	<u>\$ 203,295</u>	<u>\$ 21,996,512</u>

### C. Component Units

	<b>School Board</b>	<b>Health Center Commission</b>
Vendors	\$ 7,475,322	\$ 489,286
Wages and benefits	34,019,895	483,834
Retainages	3,881,527	-
Total	<u>\$ 45,376,744</u>	<u>\$ 973,120</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

**7. Interfund Transactions**

Interfund receivable and payable balances at June 30, 2002 were as follows:

Fund	Interfund Receivables	Interfund Payables
<b>A. Interfund Receivables/Payables Other Funds</b>		
<b>Governmental Activities:</b>		
General	\$ 445,193	\$ 99,607
County Capital Projects	1,551	-
Non-major governmental funds:		
Grants	98,056	-
Comprehensive Services	4,416	398,193
Total non-major governmental funds	<u>102,472</u>	<u>398,193</u>
Total governmental activities	<u>549,216</u>	<u>497,800</u>
<b>Business-type Activities:</b>		
Water	-	4,416
Non-major Airport	-	47,000
Total business-type activities	<u>-</u>	<u>51,416</u>
Total primary government	<u>\$ 549,216</u>	<u>\$ 549,216</u>
<b>B. Receivables/Payables Primary Government and Component Units</b>		
<b>Primary Government:</b>		
General	<u>\$ 975,000</u>	<u>\$ 34,209,760</u>
Total primary government	<u>975,000</u>	<u>34,209,760</u>
<b>Component Units:</b>		
School Board	34,209,760	-
Health Center Commission	<u>-</u>	<u>975,000</u>
Total component units	<u>34,209,760</u>	<u>975,000</u>
Total	<u>\$ 35,184,760</u>	<u>\$ 35,184,760</u>

During fiscal year 2001, the County made an advance to the Health Center Commission to provide funding for accounts payable balances and to support ongoing operations. Of the advance, \$50,000 is due in fiscal year 2003 and the remaining \$925,000 is due in 2004.

Other balances resulted from a timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**County of Chesterfield, Virginia**  
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Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to use revenues collected in the general fund to finance various grants, projects or programs accounted for in other funds in accordance with budgetary authorization and (3) to provide funding for capital expenditures or budgeted subsidies for operations. Interfund transfers in the fund financial statements during fiscal year 2002 were as follows:

**Transfers In:**

**A. Governmental Activities**

General Fund - Capital Projects Fund	\$ 566,345	
Grants Fund	151,385	
Water Fund	<u>1,214,500</u>	\$ 1,932,230
Capital Projects Fund - General Fund	10,208,614	
Water Fund	135,000	
Wastewater Fund	<u>135,000</u>	10,478,614
Grants Fund - General Fund		1,131,190
Comprehensive Services Fund - General Fund		1,316,684

**B. Business-type Activities**

Water Fund - General Fund		25,000
Wastewater Fund - Grants Fund		15,789
Airport Fund - General Fund		515,518
Vehicle and Communications Maintenance		
Fund - General Fund		<u>21,822</u>

Total transfers in \$ 15,436,847

**Transfers Out:**

**A. Governmental Activities**

General Fund - Capital Projects Fund	\$ 10,208,614	
Grants Fund	1,131,190	
Comprehensive Services Fund	1,316,684	
Water Fund	25,000	
Airport Fund	<u>515,518</u>	\$ 13,197,006
Capital Projects Fund - General Fund		566,345
Grants Fund - General Fund	151,385	
Wastewater Fund	<u>15,789</u>	167,174

**B. Business-type Activities**

Water Fund - General Fund	1,214,500	
Capital Projects Fund	<u>135,000</u>	1,349,500
Wastewater Fund - Capital Projects Fund		135,000
Risk Management Fund - General Fund		<u>15,784</u>

Total transfers out 15,430,809

Difference \$ 6,038

In the fund financial statements, total transfers in of \$15,436,847 are greater than total transfers out of \$15,430,809 because of the treatment of transfers of capital assets to/from the internal service funds. During the year existing capital assets related to governmental funds, with a book value of \$6,038 were transferred to/from internal service funds. No amounts were reported in the governmental funds as the amounts did not involve the transfer of financial resources. However, the internal service funds did report transfers for the capital resources reassigned.



**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

**8. Capital Assets**

**A. Governmental Activities**

Capital asset activity for the year ended June 30, 2002 was as follows:

	<u>Balance</u> <u>June 30, 2001</u>	<u>Increases</u> <sup>(1)</sup>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2002</u>
Capital assets, not being depreciated:				
Land	\$ 30,168,854	\$ 2,858,797	\$ 36,127	\$ 32,991,524
Construction in progress	<u>122,876,547</u>	<u>76,404,927</u>	<u>57,509,137</u>	<u>141,772,337</u>
Total assets, not being depreciated	<u>153,045,401</u>	<u>79,263,724</u>	<u>57,545,264</u>	<u>174,763,861</u>
Capital assets, being depreciated:				
Buildings	497,964,534	40,957,043	45,773	538,875,804
Improvements other than buildings	37,920,193	2,763,094	9,500	40,673,787
Machinery and equipment	76,685,611	18,041,991	1,754,234	92,973,368
Infrastructure	<u>22,966,435</u>	<u>1,403,763</u>	<u>-</u>	<u>24,370,198</u>
Total at historical cost	635,536,773	63,165,891	1,809,507	696,893,157
Less accumulated depreciation for:				
Buildings	148,446,966	12,087,525	27,844	160,506,647
Improvements other than buildings	19,013,422	1,370,252	9,500	20,374,174
Machinery and equipment	37,713,451	7,845,686	1,734,236	43,824,901
Infrastructure	<u>3,537,969</u>	<u>338,119</u>	<u>-</u>	<u>3,876,088</u>
Total accumulated depreciation	<u>208,711,808</u>	<u>21,641,582</u>	<u>1,771,580</u>	<u>228,581,810</u>
Total capital assets, being depreciated, net	<u>426,824,965</u>	<u>41,524,309</u>	<u>37,927</u>	<u>468,311,347</u>
Governmental activities capital assets, net	<u>\$ 579,870,366</u>	<u>\$ 120,788,033</u>	<u>\$ 57,583,191</u>	<u>\$ 643,075,208</u>

(1) Includes additions and depreciation as well as cost and accumulated depreciation of assets transferred in during the current year.

The historical cost and accumulated depreciation balances at June 30, 2001 were restated to capitalize infrastructure assets of \$22,966,435 and record accumulated depreciation of \$3,537,969 in accordance with the adoption of GASB Statement No. 34. In accordance with the County's charter, land, buildings, improvement other than buildings, construction in progress and accumulated depreciation associated with School assets are now reported as capital assets in the governmental net assets of the County. Depreciation on those assets is reported as an expense of the education function in the governmental activities of the County.

Governmental activities capital assets, net of accumulated depreciation at June 30, 2002 are comprised of the following:

General capital assets, net	\$ 637,428,006
Internal service funds capital assets, net	<u>5,647,202</u>
Total	<u>\$ 643,075,208</u>

Depreciation expense was charged to the following functions:

General government	\$ 2,146,323
Administration of justice	424,552
Public safety	4,837,203
Public works	1,028,471
Health and welfare	326,202
Parks, recreation and cultural	1,646,233
Education- School Board	9,967,044
Community development	47,071
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets.	<u>961,885</u>
Total depreciation expense	<u>\$ 21,384,984</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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Construction in progress for governmental operations is composed of the following:

<u>Function</u>	<u>Authorization</u>	<u>Expended to June 30, 2002</u>	<u>Committed at June 30, 2002</u>
General government	\$ 13,558,544	\$ 778,343	\$ 12,780,201
Administration of justice	35,850,615	11,554,503	24,296,112
Public safety	65,852,588	4,247,386	61,605,202
Public works	1,164,872	648,999	515,873
Parks, recreation and cultural	28,734,623	6,426,268	22,308,355
Education - School Board	153,425,699	116,833,532	36,592,167
Community development	<u>4,414,200</u>	<u>1,283,306</u>	<u>3,130,894</u>
Total construction in progress	<u>\$ 303,001,141</u>	<u>\$ 141,772,337</u>	<u>\$ 161,228,804</u>

**B. Business-type Activities**

Capital asset activity for the year ended June 30, 2002, was as follows:

	<u>Balance June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2002</u>
Capital assets, not being depreciated:				
Land	\$ 3,152,424	\$ -	\$ 29,367	\$ 3,123,057
Construction in progress	<u>12,664,658</u>	<u>10,031,882</u>	<u>10,881,057</u>	<u>11,815,483</u>
Total assets, not being depreciated	<u>15,817,082</u>	<u>10,031,882</u>	<u>10,910,424</u>	<u>14,938,540</u>
Capital assets, being depreciated:				
Buildings	124,677,197	725,522	-	125,402,719
Improvements other than buildings	31,880,556	385,902	-	32,266,458
Machinery and equipment	<u>456,984,063</u>	<u>24,914,359</u>	<u>1,157,123</u>	<u>480,741,299</u>
Totals at historical cost	<u>613,541,816</u>	<u>26,025,783</u>	<u>1,157,123</u>	<u>638,410,476</u>
Less accumulated depreciation for:				
Buildings	29,738,445	2,812,928	-	32,551,373
Improvements other than buildings	11,512,229	1,069,204	-	12,581,433
Machinery and equipment	<u>138,792,882</u>	<u>9,933,204</u>	<u>665,354</u>	<u>148,060,732</u>
Total accumulated depreciation	<u>180,043,556</u>	<u>13,815,336</u>	<u>665,354</u>	<u>193,193,538</u>
Total capital assets, being depreciated, net	<u>433,498,260</u>	<u>12,210,447</u>	<u>491,769</u>	<u>445,216,938</u>
Business-type activities capital assets, net	<u>\$ 449,315,342</u>	<u>\$ 22,242,329</u>	<u>\$ 11,402,193</u>	<u>\$ 460,155,478</u>

Depreciation was charged to the various activities as follows:

Water	\$ 5,143,204
Wastewater	8,053,175
Airport	<u>618,957</u>
Total depreciation expense	<u>\$ 13,815,336</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

**C. Component Units**

Capital asset activity for the year ended June 30, 2002, for the School Board was as follows:

**School Board**

	<u>Balance</u> <u>June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2002</u>
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	\$ 37,351,617	\$ 3,130,553	\$ 1,088,467	\$ 39,393,703
Less accumulated depreciation	<u>23,793,853</u>	<u>4,209,916</u>	<u>1,003,437</u>	<u>27,000,332</u>
School Board capital assets, net	<u>\$ 13,557,764</u>	<u>\$ (1,079,363)</u>	<u>\$ 85,030</u>	<u>\$ 12,393,371</u>

Current year depreciation on capital assets of the School Board was \$4,209,916.

Capital asset activity for the year ended June 30, 2002, for the Health Center Commission was as follows:

**Health Center Commission**

	<u>Balance</u> <u>June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2002</u>
Capital assets, not being depreciated:				
Land	\$ 112,579	\$ -	\$ -	\$ 112,579
Construction in progress	<u>-</u>	<u>24,589</u>	<u>-</u>	<u>24,589</u>
Total assets, not being depreciated	<u>112,579</u>	<u>24,589</u>	<u>-</u>	<u>137,168</u>
Capital assets, being depreciated:				
Buildings	25,852,953	1,520,447	-	27,373,400
Improvements other than buildings	2,142,982	11,476	-	2,154,458
Machinery and equipment	<u>4,036,235</u>	<u>84,328</u>	<u>-</u>	<u>4,120,563</u>
Total at historical cost	<u>32,032,170</u>	<u>1,616,251</u>	<u>-</u>	<u>33,648,421</u>
Less accumulated depreciation for:				
Buildings	4,770,010	1,065,244	-	5,835,254
Improvements other than buildings	201,548	70,611	-	272,159
Machinery and equipment	<u>1,465,009</u>	<u>300,635</u>	<u>-</u>	<u>1,765,644</u>
Total accumulated depreciation	<u>6,436,567</u>	<u>1,436,490</u>	<u>-</u>	<u>7,873,057</u>
Total capital assets, being depreciated, net	<u>25,595,603</u>	<u>179,761</u>	<u>-</u>	<u>25,775,364</u>
Capital assets, net	<u>\$ 25,708,182</u>	<u>\$ 204,350</u>	<u>\$ -</u>	<u>\$ 25,912,532</u>

Current year depreciation on capital assets of the Health Center Commission was \$1,436,490.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

**9. Long-term Debt**

**A. General Obligation Bonds and State Literary Fund Loans**

Chesterfield County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. State literary fund loans are approved for school capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The general obligation bonds and state literary fund loans are payable from the General Fund. At June 30, 2002 the amount outstanding of general obligation bonds and state literary fund loans were as follows:

	<b>Original Issue Amount</b>	<b>Interest Rates</b>	<b>Annual Principal Requirements</b>	<b>Total Outstanding</b>
<b>General Obligation Bonds</b>				
1990A School Refunding, due 2004	\$ 1,500,000	8.74%	\$ 150,000	\$ 450,000
1991 General Improvement & Refunding, due 2006	82,610,000	5.90-6.25	425,000 - 6,510,000	11,630,000
1992 General Improvement, due 2003	49,675,000	5.10-5.25	2,485,000	4,970,000
1993 General Improvement & Refunding, due 2011	52,725,000	4.80-5.25	1,750,000 - 4,645,000	35,590,000
1994A School Refunding, due 2007	14,750,000	7.90-8.10	305,000 - 1,355,000	3,925,000
1994A School, due 2013	8,125,000	6.10-6.30	410,000 - 420,000	4,990,000
1995A School, due 2015	15,160,000	5.40-5.975	755,000 - 760,000	10,600,000
1995C School, due 2015	26,175,000	5.10-6.10	1,305,000 - 1,310,000	18,315,000
1997 General Improvement, due 2009	12,800,000	4.50-5.00	640,000	4,480,000
1998 General Improvement & Refunding, due 2018	79,485,000	4.30-5.00	3,215,000 - 5,670,000	63,585,000
1999 General Improvement & Refunding, due 2019	75,625,000	4.00-4.50	1,485,000 - 9,060,000	68,330,000
2000 General Improvement, due 2020	38,050,000	5.00-6.00	1,900,000 - 1,905,000	34,240,000
2001 General Improvement, due 2021	60,355,000	4.00-5.00	2,980,000 - 3,020,000	57,335,000
2002 General Improvement, due 2022	23,280,000	3.00-5.00	1,160,000 - 1,165,000	<u>23,280,000</u>
Total general obligation bonds				341,720,000
Add: Premium				<u>181,932</u>
Net general obligation bonds				<u>\$ 341,901,932</u>
 <b>State Literary Fund Loans</b>	 \$35,045,047	 3.00-4.00%	 \$ 55,218 - \$1,553,550	 <u>\$ 6,405,618</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

Annual debt service requirements to maturity for general obligation bonds and state literary fund loans are as follows:

Year Ending	<u>General Obligation Bonds</u>				<u>State Literary Fund Loans</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2003	\$ 30,850,000	\$ 16,179,877	\$ 47,029,877	\$ 1,553,550	\$ 198,169	\$ 1,751,719	
2004	29,490,000	14,716,207	44,206,207	1,447,850	150,563	1,598,413	
2005	28,180,000	13,354,304	41,534,304	1,324,500	106,127	1,430,627	
2006	27,790,000	12,023,047	39,813,047	745,500	65,392	810,892	
2007	24,195,000	10,755,544	34,950,544	608,000	42,027	650,027	
2008-2012	103,335,000	37,831,070	141,166,070	726,218	27,987	754,205	
2013-2017	68,155,000	16,774,681	84,929,681	-	-	-	
2018-2022	<u>29,725,000</u>	<u>3,338,845</u>	<u>33,063,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total	<u>\$ 341,720,000</u>	<u>\$ 124,973,575</u>	<u>\$ 466,693,575</u>	<u>\$ 6,405,618</u>	<u>\$ 590,265</u>	<u>\$ 6,995,883</u>	

**B. Revenue Bonds**

The County issued bonds to finance construction projects for the Water and Wastewater enterprise funds. Revenue bonds outstanding at June 30, 2002, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
<b>Primary Government</b>				
<b>Business-type activities:</b>				
1992 Water and Sewer Refunding, due 2010	\$19,705,000	5.90-6.375%	\$320,000 - \$1,150,000	\$ 4,320,000
1992A Water and Sewer Refunding, due 2010	39,903,968	5.70-6.50	2,016,452 - 5,930,000	26,613,967
2002 Water and Sewer Refunding, due 2010	8,610,000	2.00-4.00	975,000 - 1,205,000	<u>8,610,000</u>
Total revenue bonds				39,543,967
Less: Discounts				111,383
Deferred amount on refunding				<u>391,931</u>
Net revenue bonds				<u>\$ 39,040,653</u>

The Water and Wastewater Funds are responsible for the revenue bonds as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Total revenue bonds	\$ 13,168,141	\$26,375,826	\$ 39,543,967
Net revenue bonds	13,000,537	26,040,116	39,040,653

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
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**Component Unit**

**Health Center Commission**

1996 Mortgage revenue bonds, due 2039	\$ 20,900,000	6.28%	\$147,627-\$1,322,076	\$ 20,538,623
Less: Discount				<u>80,498</u>
Net mortgage revenue bonds				<u>\$ 20,458,125</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

Debt service requirements to maturity for the revenue bonds are as follows:

<b>Year Ending</b>	<b>Enterprise Funds</b>			<b>Health Center Commission</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>						
2003	\$ 7,080,000	\$ 659,691	\$ 7,739,691	\$ 147,627	\$ 1,285,624	\$ 1,433,251
2004	4,373,446	3,474,393	7,847,839	157,170	1,433,252	1,590,422
2005	4,201,629	3,650,297	7,851,926	167,329	1,265,922	1,433,251
2006	4,037,005	3,808,326	7,845,331	178,145	1,255,106	1,433,251
2007	3,918,576	3,939,006	7,857,582	189,660	1,243,591	1,433,251
2008-2012	15,933,311	19,395,601	35,328,912	1,148,832	6,017,425	7,166,257
2013-2017	-	-	-	1,571,338	5,594,920	7,166,258
2018-2022	-	-	-	2,149,228	5,017,030	7,166,258
2023-2027	-	-	-	2,939,648	4,226,610	7,166,258
2028-2032	-	-	-	4,020,760	3,145,497	7,166,257
2033-2037	-	-	-	5,499,473	1,666,785	7,166,258
2038-2039	-	-	-	2,369,413	138,772	2,508,185
<b>Total</b>	<b>\$ 39,543,967</b>	<b>\$ 34,927,314</b>	<b>\$ 74,471,281</b>	<b>\$ 20,538,623</b>	<b>\$ 32,290,534</b>	<b>\$ 52,829,157</b>

**C. Public Facility Lease Revenue Bonds and Certificates of Participation**

The County is a party to two Real Property Lease/Purchase Agreements. One agreement is structured with Public Facility Lease Revenue Bonds and the other with Certifications of Participation. In the public facilities lease, the County leases a new Juvenile and Domestic Relations Courts Building from the Lessor for a lease term ending November 1, 2019. Public Facility Lease Revenue Bonds evidencing owners' interest were issued to finance the building. Under the second agreement, the County leases the Juvenile Detention Home, the vacated Juvenile and Domestic Relations Courts Building, the Information Systems Technology Building and an Airport Hangar Building. Certificates of Participation evidencing owners' interest in the lease payments made by the County to the lessor were issued to finance construction and renovation of these buildings. The Public Facility Lease Revenue Bonds and Certificates of Participation are to be liquidated by the General Fund and the non-major Airport Fund.

Amounts outstanding as of June 30, 2002 on the Public Facility Lease and the Certificates of Participation are as follows:

	<b>Original Issue</b>	<b>Interest</b>	<b>Annual</b>	<b>Amount</b>
<b>Governmental Activities</b>	<b>Amount</b>	<b>Rates</b>	<b>Principal Requirements</b>	<b>Outstanding</b>
2001 Certificates of Participation, due 2022	\$ 13,310,000	4.00-5.00%	\$539,250-899,250	\$ 13,310,000
1999 Public Facility Lease, due 2020	16,100,000	4.00-6.00	805,000	14,490,000
Total governmental activities				27,800,000
<b>Business-type Activities</b>				
2001 Certificates of Participation, due 2022	415,000	4.00-5.00	20,750	415,000
Total obligations				\$ 28,215,000

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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Annual debt service requirements to maturity for the Public Facility Lease and the Certificates of Participation are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
June 30	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 1,704,250	\$ 1,205,520	\$ 2,909,770	\$ 20,750	\$ 17,357	\$ 38,107
2004	1,704,250	1,121,250	2,825,500	20,750	16,527	37,277
2005	1,704,250	1,037,986	2,742,236	20,750	15,697	36,447
2006	1,704,250	962,773	2,667,023	20,750	14,867	35,617
2007	1,704,250	894,603	2,598,853	20,750	14,037	34,787
2008-2012	7,441,250	3,455,995	10,897,245	103,750	56,803	160,553
2013-2017	6,726,250	1,964,670	8,690,920	103,750	35,280	139,030
2018-2022	<u>5,111,250</u>	<u>483,486</u>	<u>5,594,736</u>	<u>103,750</u>	<u>11,983</u>	<u>115,733</u>
Total	<u>\$ 27,800,000</u>	<u>\$ 11,126,283</u>	<u>\$ 38,926,283</u>	<u>\$ 415,000</u>	<u>\$ 182,551</u>	<u>\$ 597,551</u>

**D. Capital Leases**

The County has acquired equipment with a historical cost and original issue amount of \$1,584,906 and accumulated depreciation of \$376,616 under capital lease arrangements. The interest rates vary between 5.31% and 9.50% and annual principal payments range from \$4,942 to \$210,379 per fiscal year. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2002, for these capital leases are as follows:

Year Ending	Governmental Activities		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 249,972	\$ 39,339	\$ 289,311
2004	262,408	26,019	288,427
2005	215,802	11,346	227,148
2006	<u>63,589</u>	<u>3,785</u>	<u>67,374</u>
Total	<u>\$ 791,771</u>	<u>\$ 80,489</u>	<u>\$ 872,260</u>

**E. Judgments, Claims, and Compensated Absences Payable**

The County has recorded a liability for workers' compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers' compensation liability recorded is \$5,317,517 for the governmental activities of the primary government, \$475,243 for the business-type activities of the primary government and \$3,193,697 for the School Board component unit. A liability of \$3,109,380 has been recorded for judgment and claims in the Risk Management Fund. These liabilities consist of a) liabilities for claims incurred, reported and outstanding as of June 30, 2002 and b) liabilities for claims incurred but not reported as of June 30, 2002. These liabilities have been estimated based upon a case-by-case review, investigation and historical experience. Payments for workers compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

The County has recorded a liability for rebatable arbitrage in the government-wide statements of the primary government of \$2,080,365. This liability is payable by the General Fund.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2002**

The County has recorded a liability for compensated absences in the Statement of Net Assets of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded \$10,923,860 and \$3,483,315 for accrued vacation and sick leave benefits, respectively and the business-type activities of the primary government recorded \$711,960 and \$383,610 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$2,962,107 and \$4,958,063 for accrued vacation and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

In October 1991, the Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accept solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accept solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993. The state and federal laws and regulations require the County to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 10 years after closure. The County completed the final cover during fiscal year 1995 and has 4 years remaining to perform its postclosure care maintenance as of June 30, 2002. The \$329,500 recorded as a landfill postclosure care liability at June 30, 2002 represents the estimated total current cost of landfill closure and postclosure care, based on the use of 100 percent of the estimated capacity for the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is not required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care due to the closing of the landfill prior to the October 9, 1993, MSWLF postclosure requirements date. The County expects to pay postclosure care cost, including additional postclosure care cost (due to inflation, changes in technology or applicable laws or regulations, for example), from the General Fund with charges to users of the County's solid waste transfer stations, General Fund tax revenue and/or General Fund reserves.

**F. Retirement Plan Obligations**

As required by GASB Statement Number 27, a long-term liability was recorded for the VRS Pension Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the difference between the Annual Required Contribution and the amount actually contributed. The governmental activities of the primary government recorded \$3,017,369 and \$263,647 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded \$279,366 and \$17,086 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively. The School Board component unit recorded a liability of \$851,969 and a prepaid asset of \$237,136 for the VRS Pension Plan and the Supplemental Retirement Program, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

**G. Defeased Debt**

On May 15, 2002, the County issued \$8.610 million in Water and Sewer Revenue Refunding Bonds with an average interest rate of 3.4% to advance refund \$8.920 million of outstanding 1992 Series bonds with an average interest rate of 6.3%. The net proceeds of \$8.608 million (after deducting payment of \$0.136 million in underwriting fees and other issuance costs) in addition to \$0.861 million of 1992 Series debt service fund and debt service reserve fund monies (after creating a debt service fund of \$0.020 million), were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on selected maturities of the 1992 Series Bonds. As a result, \$8.920 million of the 1992 Series bonds are considered to be defeased, and the liability for those bonds is not reflected in the accompanying proprietary funds financial statements.

The advance refunding resulted in the recognition of an accounting loss of \$0.405 million for the year ended June 30, 2002, however the County in effect reduced its aggregate debt service payments by \$1.827 million over the next 9 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$0.756 million.



**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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In prior years, the County defeased certain general obligation and revenue bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2002, the outstanding balance of the defeased debt was \$38.025 million, of which \$10.565 million was water and sewer revenue bonds and \$27.460 million was general obligation bonds.

**H. Changes in Long-term Obligations**

The following is a summary of long-term obligation transactions for the year ended June 30, 2002:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
<b>Governmental Activities</b>	<b>June 30, 2001</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2002</b>	<b>Due Within One-Year</b>
General obligation bonds	\$ 348,250,000	\$ 23,280,000	\$ 29,810,000	\$ 341,720,000	\$ 30,850,000
Add: Premium	-	191,034	9,102	181,932	17,750
Net bonds payable	348,250,000	23,471,034	29,819,102	341,901,932	30,867,750
School literary fund loans	8,158,668	-	1,753,050	6,405,618	1,553,550
Certificates of participation	14,570,000	-	1,260,000	13,310,000	899,250
Public facility lease	15,295,000	-	805,000	14,490,000	805,000
Other lease purchases	<u>764,606</u>	<u>278,372</u>	<u>251,207</u>	<u>791,771</u>	<u>249,972</u>
Total bonds and leases	<u>387,038,274</u>	<u>23,749,406</u>	<u>33,888,359</u>	<u>376,899,321</u>	<u>34,375,522</u>
Other liabilities:					
Compensated absences	13,206,526	10,066,258	8,865,609	14,407,175	10,211,415
Judgments and claims	11,069,934	2,295,657	2,528,829	10,836,762	3,853,183
Retirement plan obligations	<u>3,503,030</u>	<u>5,578,116</u>	<u>5,800,130</u>	<u>3,281,016</u>	<u>-</u>
Total other liabilities	<u>27,779,490</u>	<u>17,940,031</u>	<u>17,194,568</u>	<u>28,524,953</u>	<u>14,064,598</u>
Total long-term liabilities	<u>\$ 414,817,764</u>	<u>\$ 41,689,437</u>	<u>\$ 51,082,927</u>	<u>\$ 405,424,274</u>	<u>\$ 48,440,120</u>
<b>Business-Type Activities</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>	<b>Amounts</b>
	<b>June 30, 2001</b>			<b>June 30, 2002</b>	<b>Due Within One-Year</b>
Bonds payable	\$ 46,543,967	\$ 8,610,000	\$ 15,610,000	\$ 39,543,967	\$ 5,275,631
Less: Deferred amount on refunding	-	405,011	13,080	(391,931)	(79,477)
Discounts	<u>(176,520)</u>	<u>6,196</u>	<u>71,333</u>	<u>(111,383)</u>	<u>(25,595)</u>
Net bonds payable	46,367,447	9,021,207	15,694,413	39,040,653	5,170,559
Certificates of participation	<u>415,000</u>	<u>-</u>	<u>-</u>	<u>415,000</u>	<u>20,750</u>
Total bonds and leases	46,782,447	9,021,207	15,694,413	39,455,653	5,191,309
Other liabilities					
Compensated absences	1,055,195	698,540	658,165	1,095,570	668,952
Judgments and claims	-	583,221	107,978	475,243	150,095
Retirement plan obligations	<u>316,290</u>	<u>641,634</u>	<u>661,472</u>	<u>296,452</u>	<u>-</u>
Total other liabilities	<u>1,371,485</u>	<u>1,923,395</u>	<u>1,427,615</u>	<u>1,867,265</u>	<u>819,047</u>
Total long-term liabilities	<u>\$ 48,153,932</u>	<u>\$ 10,944,602</u>	<u>\$ 17,122,028</u>	<u>\$ 41,322,918</u>	<u>\$ 6,010,356</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$338,382 for compensated absences, \$3,123,052 for judgments and claims and \$92,791 for retirement plan obligations for internal service funds are included in the above amounts. Except for the amounts for internal service funds, the long-term liabilities for governmental activities are generally liquidated by the General Fund.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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Summaries of long-term obligation transactions for Component Units for the year ended June 30, 2002 are as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b><u>June 30, 2001</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2002</u></b>	<b><u>Due Within One-Year</u></b>
<b>School Board</b>					
Compensated absences	\$ 5,241,120	\$ 4,338,615	\$ 1,659,565	\$ 7,920,170	\$ 2,856,113
Judgments and claims	3,538,803	627,073	972,179	3,193,697	1,008,655
Retirement plan obligations*	<u>2,685,217</u>	<u>3,660,675</u>	<u>5,731,059</u>	<u>614,833</u>	<u>-</u>
Total long-term liabilities	<u>\$ 11,465,140</u>	<u>\$ 8,626,363</u>	<u>\$ 8,362,803</u>	<u>\$ 11,728,700</u>	<u>\$ 3,864,768</u>

\*The retirement plan obligations for the School Board component unit includes a negative net pension obligation for the Supplemental Retirement Program of \$237,136. This amount is included as a prepaid asset in the government-wide statements.

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b><u>June 30, 2001</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2002</u></b>	<b><u>Due within One-Year</u></b>
<b>Health Center Commission</b>					
Bonds payable	\$ 20,677,287	\$ -	\$ 138,664	\$ 20,538,623	\$ 147,627
Less: Discounts	<u>(82,838)</u>	<u>-</u>	<u>2,340</u>	<u>(80,498)</u>	<u>(2,340)</u>
Total bonds payable	<u>20,594,449</u>	<u>-</u>	<u>141,004</u>	<u>20,458,125</u>	<u>145,287</u>
Total long-term liabilities	<u>\$ 20,594,449</u>	<u>\$ -</u>	<u>\$ 141,004</u>	<u>\$ 20,458,125</u>	<u>\$ 145,287</u>

**I. Long-term Debt Issued on Behalf of the School Board Component Unit**

According to State law, the School Board component unit is not allowed to issue general obligation debt and, therefore, is not legally obligated to repay general obligation debt issued on its behalf by the primary government. The amount of general obligation debt and lease obligations reported in the government-wide statements of the primary government on behalf of the School Board component unit is as follows:

General obligation bonds	\$ 263,762,779
State literary fund loans	6,405,618
Certificates of participation	840,000
Capital leases	<u>265,192</u>
Total general obligation debt and lease obligations	<u>\$ 271,273,589</u>

In addition to the general obligation debt and lease obligations, the primary government has also recorded arbitrage of \$1,559,141 and accrued interest payable of \$5,820,546 in the government-wide financial statements on behalf of the School Board component unit.

**10. Commitments and Contingent Liabilities**

**A. Lease Commitments**

Rent expense for all operating leases was \$3,094,262 for the County, \$795,135 for the School Board and \$21,780 for the Health Center Commission for the year ended June 30, 2002.

The County, School Board, and Health Center Commission lease various types of equipment under operating lease agreements. The lease agreements are contingent on the respective Boards appropriating funds for each year's payments. As of June 30, 2002, future operating lease payments totaling \$1,209,054 for the County and \$109,152 for the School Board are all due in 2003. The Health Center Commission has a future operating lease with payments of \$21,780 due in fiscal years 2003 and 2004 and \$10,890 due in fiscal year 2005.

**B. Other Commitments**

The County has entered into various contracts for the purchase of water and the treatment of wastewater. The County in establishing water and wastewater rates considers these commitments, which expire at various times through 2045.

**County of Chesterfield, Virginia**  
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**C. Contingent Liabilities**

Various claims and lawsuits are pending against the County and School Board. In the opinion of County management, resolution of these cases would not involve a substantial liability.

The County and School Board have received a number of Federal and State grants. Although the County and School Board have been audited in accordance with the provisions of Office of Management and Budget Circular A-133, these grants are still subject to financial and compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grants. The amount of expenditures which may be disallowed as a result of audits at some future date cannot be determined at this time; however, the County and School Board expect such amounts, if any, to be immaterial.

**D. Moral Obligations – Richmond Metropolitan Authority (RMA) Baseball Stadium Facility**

In connection with the RMA's responsibility for maintaining and operating the Richmond metropolitan area's baseball stadium facility which opened in April 1985, the Counties of Chesterfield and Henrico and the City of Richmond agreed to a nonbinding moral obligation under which each would pay one-third of any annual net operating loss and any deficit in debt service on the \$3,810,000 RMA Revenue Bonds. The RMA Revenue Bonds were issued under the terms of a bond resolution dated August 28, 1984 to assist in the construction of the stadium. In September 1994, the RMA issued \$2,750,000 in revenue bonds in order to satisfy outstanding obligations on the 1984 bonds. The bonds are secured by net revenues derived from the RMA's operation of the stadium and funds that may be appropriated to the RMA by its participating jurisdictions, pursuant to the moral obligation agreement. Debt service requirements, by fiscal year, on the 1994 bonds are scheduled as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 350,000	\$ 55,000	\$ 405,000
2004	400,000	34,000	434,000
2005	<u>400,000</u>	<u>12,000</u>	<u>412,000</u>
	<u>\$ 1,150,000</u>	<u>\$ 101,000</u>	<u>\$ 1,251,000</u>

RMA issued bonds to a bank under a Bond Purchase and Loan Agreement dated April 1, 1997 providing for borrowings not exceeding \$2.75 million to finance repairs to the Stadium. These borrowings bear interest at an annual rate of 80% of the LIBOR rate (1.469% at June 30, 2002). RMA has pledged its rights under the 1997 Moral Obligation Agreement as collateral. The Counties of Chesterfield and Henrico and the City of Richmond agreed to a non-binding moral obligation under which each would pay one-third of the amount needed to pay the debt service if revenues and receipts of RMA may be insufficient to pay principal and interest when due in each fiscal year. In September 1998, RMA requested the localities to revise the moral obligation to allow RMA to use excess funds, approximately \$1.0 million, to pave the parking lot and install drainage and lighting facilities. All three localities approved the moral obligation change. There were no outstanding amounts under this agreement at June 30, 2002.

For the fiscal year ended June 30, 2002, the baseball stadium facility had a net operating loss of \$54,753. Contributions of \$256,700 for the debt service and \$25,000 for capital improvements were made by the County to RMA for fiscal year 2002.

**11. Risk Management – Claims Liability**

The Risk Management Fund (an Internal Service Fund) accounts for property, casualty and liability claims for the County and School Board. Third party coverage is obtained for real and personal property and some liability risks. Third party property and casualty coverage is maintained for the Fire Department. The County does maintain a broad form Public Officials Liability insurance policy to provide catastrophe coverage for individual claims in excess of \$2,000,000. Administration of claims impacting this coverage is reviewed routinely by the insurance company that provides this policy. There have not been any reductions in commercial insurance

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coverage from the prior year and the amount of settlements in each of the past three years did not exceed the commercial insurance. Risk Management Fund revenues are generated by charges to the departments for management's estimate of the cost of predictable losses, the cost for administering these losses, a pro rata share of insurance premiums paid, actuarial estimates for incurred but not reported claims and the Risk Management Department's operational costs. Significant claims paid by the Risk Management Fund which exceed the premium charged will be covered by increased premiums in future years. Liabilities for unpaid claims are based upon the estimate of the ultimate cost of the claims, pursuant to known information. The estimate of the claims liability does not include amounts for non-incremental claims adjustment expenses. On disputed cases, where the chances of prevailing on the legal and medical issues is less than 50%, the claim is recorded at the full exposure amount. The present value of the estimated outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. The discount is calculated based on a 3.5% yield on investments. The confidence level estimated percentage used to calculate the risk management liability is 90%. First party administration of claims by the Risk Management staff began October 1, 1988.

The County is a significant property owner and, as such, has potential exposure to environmental liabilities. In 2002, the County developed a comprehensive environmental management program. The County is also working toward the International Organization for Standardization (ISO) 14001 registration, which addresses environmental management systems, auditing, labeling, performance evaluation and life cycle assessment. At this time, no claim exists nor is there knowledge of any condition which impairs a Third Party's property or person. As the extent of potential loss cannot be estimated, no formal financial risk treatment for this exposure has been implemented.

Workers' compensation claims are funded annually by appropriations in the various funds. The self-insured retention per occurrence is \$250,000 per claim occurring after December 31, 1996. The County maintains an excess insurance policy for those claims greater than \$250,000. Claims are administered by Risk Management staff with an independent claims audit conducted periodically. Safety professionals and representatives of the third party insurance companies provide loss prevention consultation.

The changes in the claims liability amounts are as follows:

	<b>Fiscal <u>2002</u></b>	<b>Fiscal <u>2001</u></b>
<b>Workers' Compensation:</b>		
Liability, July 1	\$ 8,715,003	\$ 8,419,439
Current-year claims	3,622,419	2,612,115
Changes in estimates	(1,814,656)	(474,921)
Claim payments	<u>(1,536,309)</u>	<u>(1,841,630)</u>
Liability, June 30	<u>\$ 8,986,457</u>	<u>\$ 8,715,003</u>
<b>Risk Management Fund:</b>		
Liability, July 1	\$ 3,334,906	\$ 3,459,412
Current-year claims	1,275,103	1,098,262
Changes in estimates	(211,232)	(27,914)
Claim payments	<u>(1,289,397)</u>	<u>(1,194,854)</u>
Liability, June 30	<u>\$ 3,109,380</u>	<u>\$ 3,334,906</u>

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**12. Retirement Plans**

**A. Virginia Retirement System – Primary Government**

The County contributes to the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS.

**1. Plan Descriptions and Contribution Information**

- a) Plan Description: All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.
- b) Funding Policy: Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2002 was 5.00% of annual covered payroll. Chesterfield County has elected to pay the employee's required 5% contribution.
- c) Annual Pension Cost and Net Pension Obligation: For 2002, the County's annual required contribution of \$5,713,694, representing a contribution rate of 5.00%, was equal to the County's actual contributions. The County's required contribution resulted from an election to phase-in funding of the cost of living adjustment for 2000. Due to the election to phase in funding, the required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases that range between 4.25% and 6.10% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the County's assets is a modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

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**Net Pension Obligation (NPO)**

Annual Required Contribution (ARC)	\$ 5,713,694
Interest on NPO	282,583
Adjustment to the ARC	<u>(518,162)</u>
Annual Pension Cost	5,478,115
Contributions made	<u>(5,713,694)</u>
Decrease in NPO	(235,579)
NPO beginning of year	<u>3,532,314</u>
NPO end of year	<u>\$ 3,296,735</u>

**B. Chesterfield County Supplemental Retirement System – Primary Government**

The Chesterfield County Supplemental Retirement System (System) is a single-employer defined benefit pension plan that covers certain qualified County employees in addition to any benefits which may be received under the Virginia Retirement System and Social Security. This plan is administered by the Board of Trustees appointed by the Board of Supervisors. The System is considered part of the County of Chesterfield's financial reporting entity and is included in the County's financial statements as a Pension Trust Fund.

**1. Summary of Significant Accounting Policies**

- a) Basis of Accounting: The System's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.
- b) Valuation of Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

**2. Plan Descriptions and Contribution Information**

- a) Plan Description: The System provides retirement benefits as well as disability benefits for certain qualified full-time County employees. Benefits begin to vest after five years of service. County employees who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.875% of final average compensation in excess of covered compensation, multiplied by years of service credited to the member at retirement. Final average compensation is equal to one-fifth of the member's average compensation for the five consecutive plan years out of the last ten plan years of employment for which such average would be highest. Covered compensation means, for each employee, the average of the maximum amounts of compensation earnings which may be considered wages under Section 3121(a)(1) of the Internal Revenue Code as in effect January 1 of each calendar year commencing with the later of (i) the calendar year in which such employee attains age twenty-one (21) or (ii) 1951, through the calendar year in which the employee reaches age sixty-four (64), excluding the lowest five (5) years whether or not consecutive and assuming no change in such maximum for calendar years following such employee's separation from service for any reason. Employees with ten years of credited service may retire at or after age 55 and receive an unreduced retirement benefit. The entire cost of the System is paid by the County.

Membership of the System consisted of the following at June 30, 2002:

Active members	2,914
Terminated members with vested rights	128
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>160</u>
	<u><u>3,202</u></u>

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- b) Funding Policy: The System provides for annual employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. The unfunded accrued liability is being amortized as a level percentage of payroll within a period of 40 years. The plan is financed through budget appropriations.
- c) Annual Pension Cost and Net Pension Obligation: For 2002, the County's contribution of \$747,908 was the recommended contribution and was determined as a part of the July 1, 2001 actuarial valuation. The actuarial assumptions included (a) 8% investment rate of return and (b) 4% inflation rate and (c) projected salary increases of 4% per year. Under the entry age normal method a supplemental cost is computed each valuation date and consists of a 40-year amortization of the system unfunded actuarial accrued liability.

**Net Pension Obligation (NPO)**

Annual Required Contribution (ARC)	\$ 747,908
Interest on NPO	22,960
Adjustment to the ARC	<u>(29,232)</u>
Annual Pension Cost	741,636
Contributions made	<u>(747,908)</u>
Decrease in NPO	(6,272)
NPO beginning of year	<u>287,005</u>
NPO end of year	<u><u>\$ 280,733</u></u>

**3. Related Party Investments**

The System's plan assets do not include any securities issued by Chesterfield County.

**4. Actuarial Method and Significant Assumptions**

The information presented in the schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date .....	July 1, 2002
Actuarial cost method .....	Entry age normal cost
Amortization method .....	Level dollar
Remaining amortization period .....	40 years-open
Asset valuation method .....	Five year moving average
Actuarial assumptions:	
Investment rate of return.....	8%
Projected salary increases.....	4%

**C. Virginia Retirement System – Discretely Presented Component Unit - School Board**

The School Board contributes to the VRS, a mixed agent and cost-sharing multiple-employer defined benefit pension plan. Professional employees participate in a VRS statewide teacher cost sharing pool and non-professional employees participate as a separate group in the VRS.

**1. Plan Descriptions and Contribution Information**

- a) Plan Description: All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced benefit at age 65 with 5 years of service and at age 50 with 30 years of service. Employees who retire with a reduced benefit at age 55 with at least five years of credited service are

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entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS). An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 35 years or more of credited service are entitled to an annual benefit equal to 1.65 percent of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

- b) Funding Policy: Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for non-professional employees for the fiscal year ended 2002 was 5.00% of annual covered payroll. The School Board has elected to pay the employees' 5% required contribution. Information is not separately available for the teacher cost-sharing pool. The School Board's required contribution rate for teacher or professional group was 4.24% for the first three quarters of fiscal year 2002 and reduced to 1.98% for the last quarter. The School Board's required contribution for the professional employees to the teacher cost-sharing pool was as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contribution Percentage</u>
2002	\$16,491,237	4.24% – 1.98%
2001	13,523,504	7.54
2000	15,312,236	9.04
1999	13,370,144	8.49
1998	10,904,245	7.28
1997	9,322,332	6.41

- c) Annual Pension Cost and Net Pension Obligation: For 2002, the School Board's annual required contribution, for non-professional employees, of \$975,172, representing a contribution rate of 5.00%, equal to the School Board's actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 3% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

**Net Pension Obligation**

Annual Required Contribution	\$ 975,172
Interest on NPO	66,834
Adjustment to the ARC	<u>(50,294)</u>
Annual Pension Cost	991,712
Contributions made	<u>(975,172)</u>
Increase in NPO	16,540
NPO beginning of year	<u>835,429</u>
NPO end of year	<u><u>\$ 851,969</u></u>



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**D. Supplemental Retirement Program - Discretely Presented Component Unit - School Board**

The School Board contributes to the Supplemental Retirement Program (Program), a single-employer, defined benefit pension plan established during fiscal year 1996 and administered by the School Board to provide pension benefits for certain qualified School Board employees in addition to any benefits which may be received under the Virginia Retirement System or Social Security. The name of the program was changed from the Early Retirement Incentive Plan in 2002.

**1. Summary of Significant Accounting Policies**

- a) The Program's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the Program.
- b) Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

**2. Program Descriptions and Contribution Information**

- a) Program Description: The School Board's Program is provided for full-time employees covered by VRS with at least ten years employment by Chesterfield County Public Schools, including the five years immediately preceding retirement. Employees must have at least twenty years in VRS and/or education, be at least age of 50, and not be retired on disability. Upon becoming eligible for benefits from the Program, the employee shall select a part-time option to provide supplemental service to the School Board in the same or equivalent position as when the employee was permanently employed. The employee shall receive a monthly retirement benefit, beginning as of the date the employee commenced part-time employment under the provisions of the Program, equal to one twelfth (1/12) of one percent (1%) of the employee's final annual compensation; multiplied times the number of obligated days; divided by the duration of the payout period. The number of obligated days and amount of the monthly retirement benefit shall be determined and paid based on one of the part-time employment options selected by the employee and on the employee's employment classification. The minimum monthly benefit payable is \$50. Benefits under the Program cease upon completion of the elected payout installment period. In the event of the death or total disability of the employee during the first year of receipt of benefits, the employee will receive payment for the time actually worked.

An employee is vested under the Program when he reaches his normal retirement age defined as the time when services have been rendered in the part-time position classification selected by the employee. During the period the employee is providing services to the School Board in the part-time position, the employee's benefit is paid from the general assets of the School Board. If the employee does not complete the service required, the employee's benefits are forfeited. Benefit payments made after the first year or half year shall be made from the Program assets.

Membership of the System consisted of the following at July 1, 2002, the date of the latest actuarial valuation:

Active participants	3,528
Retirees (non-vested)	223
Retirees (vested)	<u>325</u>
Total	<u>4,076</u>

- b) Funding Policy: The School Board contributes the normal cost plus amortizes the unfunded actuarial accrued liability over 40 years. Actual contributions are based upon savings derived from

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employees electing to retire under the Program along with a supplement from the School Operating Fund. For a particular Program year, the actual contribution may not equal the recommended level of contribution; however, it is expected that the contribution will be sufficient to meet the funding requirements over the longer term. The Program is funded from available budget allocations and interest earned from the Program.

- c) Annual Pension Cost and Net Pension Obligation: For 2002, the School Board made a contribution of \$4,755,887 to the Program. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 3.0% per year. The actuarial cost method is the Individual Entry Age Normal method.

**Net Pension Obligation (Asset)**

Annual Required Contribution	\$ 2,677,102
Interest on NPO	138,734
Adjustment to the ARC	<u>(146,873)</u>
Annual Pension Cost	2,668,963
Contributions made	<u>(4,755,887)</u>
Decrease in NPO	(2,086,924)
NPO beginning of year	<u>1,849,788</u>
NPO (asset) end of year	<u>\$ (237,136)</u>

**3. Related Party Investments**

The Program's assets do not include any securities issued by Chesterfield County.

**4. Actuarial Method and Significant Assumptions**

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date.....	July 1, 2002
Actuarial cost method.....	Entry age normal cost
Amortization method.....	Level dollar - open
Remaining amortization period.....	40 years
Asset valuation method .....	Market value
Actuarial assumptions:	
Investment rate of return .....	7.5%
Projected salary increases .....	3.0%

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**13. Other Postemployment Benefits**

The County, School Board and Health Center Commission provide postretirement health care benefits, in accordance with their respective policies, to all full-time, salaried permanent employees who retire at or after the age of 55 with at least five years of credited service.

The County contributes toward the retirees' medical and dental premiums with the retirees paying amounts ranging from zero to \$431 per year depending on the health care plan selected. The retiree must pay for the coverage of any dependents. The County's contributions for retirees hired prior to July 1, 1992 are at the same rates as active employees. Retirees that were hired after July 1, 1992, receive a 5% reduction in the County contribution for each year of service less than 20 years. The County also pays 100% of the Medicare Supplement extended for retirees eligible for Medicare.

Currently, 491 County retirees meeting the eligibility requirements participate in postemployment health care benefits. Expenditures for health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$1,004,695 were paid for postemployment health care benefits for County retirees.

School Board retirees may select from the health care plans offered to active employees and pay the difference in cost on a monthly basis between the School Board's contribution and the cost of the policy. The retiree amount ranges from \$240 to \$901 per year, depending upon the health care plan selected. For retirees selecting dependent coverage, their costs range from \$1,639 to \$6,942 per year. When the retiree becomes eligible for Medicare, the health care policy is discontinued and the retiree may select health care coverage under one of the Medicare policies offered by the School Board. Effective July 1, 1997, the School Board elected to offer Medicare retirees the option of dependent coverage. The retiree pays the difference in cost on a monthly basis between the School Board's contribution and the cost of the Medicare policy. The retiree amount ranges from zero to \$2,229 annually for an individual policy. When the retiree selects dependent coverage, the cost ranges from \$3,425 to \$4,907 annually.

Currently, 1,113 School Board retirees meeting the eligibility requirements participate in postemployment health care benefits. Expenditures for health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$2,088,786 were paid for postemployment health care benefits for School Board retirees.

The Health Center Commission retirees who retired prior to January 1, 1994 have the same postemployment health care benefits as County retirees described above. For employees who retired after January 1, 1994, the Commission pays the lowest premium available from the medical and dental plans offered. The retirees must pay the excess premiums for their coverage and for the coverage of their dependents. Expenditures for postemployment health care benefits are recognized as the premiums are paid to the insurance companies. Expenses of approximately \$44,000 covered 24 retirees for the year ended June 30, 2002.

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**14. Joint Ventures**

**A. Appomattox River Water Authority**

The County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights, participated in the creation of the Appomattox River Water Authority (Water Authority). The Water Authority was established under the provisions of the Virginia Water and Sewer Authorities Act. The Water Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Water Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Water Authority. The County retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The County's purchases of water for the year ended June 30, 2002 were \$3,216,931.

Complete financial statements for the Water Authority can be obtained from the Water Authority's Office at 21300 Chesdin Road, Petersburg, Virginia 23803.

**B. Capital Region Airport Commission**

The County, together with the City of Richmond, the County of Henrico and the County of Hanover, participates in an intergovernmental joint venture, the Capital Region Airport Commission (Commission). The Commission owns and operates the Richmond International Airport (Airport).

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. After approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures which exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their financial interest in the Commission. If, however, actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the localities may, at their discretion, appropriate funds necessary to fund the deficit. The percentage shares of the jurisdictions involved are: City of Richmond - 29.0%; County of Henrico - 32.0%; County of Chesterfield - 30.0%; and County of Hanover - 9.0%. This financial interest is determined by the percentage that the total population of each jurisdiction is to the combined total population of all jurisdictions at January 1990.

Complete financial statements for the Commission can be obtained from the Commission's Office at Richmond International Airport, P. O. Box A-3, Richmond, Virginia 23231.

**C. Greater Richmond Convention Center Authority**

The Greater Richmond Convention Center Authority (Convention Authority), a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2, Code of Virginia. The political subdivisions participating in the incorporation of the Convention Authority are the City of Richmond and the Counties of Chesterfield, Hanover and Henrico. The Convention Authority is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

The Convention Authority was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center or centers including the facility and grounds currently known as the Richmond Centre. The primary purpose of the Convention Authority is to issue revenue bonds to finance the expansion of the Richmond Centre facility and to construct access, street scape, or other on-site/off-site improvements. Once the expansion is complete, the Convention Authority will have responsibility for the operation and maintenance of the convention center.

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On February 1, 2000, the Convention Authority issued \$158,415,000 in Hotel Tax Revenue Bonds, which are secured by an 8 percent transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of \$2,310,421 for transient occupancy tax to the Convention Authority during the year ended June 30, 2002.

On May 19, 1998, the County was named the fiscal agent for the Convention Authority. An agreement specifies that the County provide services to the Convention Authority to (1) direct and monitor the investment and disbursement of funds held by the trustee from revenue bonds; (2) receive and manage revenues transferred on behalf of the Convention Authority to the Treasurer of the County; (3) maintain accounting records in accordance with accounting principles generally accepted in America and coordinate with outside independent auditors; (4) monitor and control the Convention Authority's budget and (5) secure arbitrage reporting. In accordance with the terms of the fiscal agent agreement, payments of \$50,000 were made by the Convention Authority to the County during the year ended June 30, 2002. The agreement is effective until the County or the Convention Authority gives written notice to the other of its desire to terminate the agreement.

Complete financial statements for the Convention Authority can be obtained from Chesterfield County, Accounting Department, P.O. Box 40, Chesterfield, VA 23832.

**D. Greater Richmond Transit Company**

The Greater Richmond Transit Company (GRTC) is a public service corporation organized to provide mass transportation services to the Richmond metropolitan area. GRTC is owned jointly by the County and the City of Richmond, each owning a 50% share of the corporation. The County does not have an explicit or measurable claim to the resources of GRTC.

The Board of Directors of GRTC is comprised of six members with three members each being appointed by the respective governing bodies. The business and affairs of GRTC are managed by the Board of Directors, including the approval of the annual budget of the corporation.

The majority of the capital, operating and liability costs are paid by fare revenue, state and federal grants, and when necessary, route subsidies. Each locality will participate in GRTC's cost only to the extent that the locality chooses to have GRTC operate routes within its jurisdiction. The County's ongoing financial responsibility in GRTC is due to this commitment. At June 30, 2002, there were three GRTC routes established in the County but no contribution from the County was required in fiscal year 2002 due to GRTC's ability to absorb the additional operating cost.

On June 4, 2001 GRTC began operation of a two-year pilot program featuring 25-passenger vans to provide County residents with public transportation to and from downtown Richmond, as well as local routes. The pilot program consists of local routes operating Monday through Saturday while two express routes to Richmond operate Monday through Friday. No contribution from the County was required in fiscal year 2002 for this pilot program due to a state grant funding 100% of the costs.

Complete financial statements for GRTC can be obtained from GRTC's office at P. O. Box 27323, Richmond, Virginia 23261.

**E. Riverside Regional Jail Authority**

The Riverside Regional Jail Authority (Jail Authority) was created by Chapter 726 of the 1990 Acts of the General Assembly and was formed on June 21, 1990. The Jail Authority is comprised of the Cities of Colonial Heights, Hopewell and Petersburg and the Counties of Charles City, Chesterfield, Prince George and Surry. A fourteen-member board comprised of one appointed member and the sheriff from each participating jurisdiction governs the Jail Authority. Each member must reside in and be appointed by the governing body of his political subdivision.

The regional jail is located in the County of Prince George adjacent to the Federal Correctional Institution and is used to hold prisoners primarily from each member jurisdiction. In accordance with the Jail Authority Service Agreement, each participating locality is required to commit a determined percentage of its inmates, paying per diem rates, to the jail. The County retains an ongoing financial responsibility for this joint venture due to this

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requirement of the agreement. The County's per diem payments for the year ended June 30, 2002 were \$6,043,395.

Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at P. O. Box 1041, Hopewell, VA 23860.

**F. South Central Wastewater Authority**

On July 2, 1996, the County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights participated in the creation of the South Central Wastewater Authority (Wastewater Authority), by concurrent resolutions in accordance with the Virginia Water and Sewer Authorities Act. The purpose of the Wastewater Authority, whose five-member board is comprised of one representative from each participating jurisdiction, is to acquire, finance, construct, expand, improve, operate and maintain wastewater treatment and related facilities and for compliance with all requirements of applicable laws and regulations, except as otherwise provided in the service agreements.

The County paid \$4,786,709 on July 2, 1996 representing its share of acquired debt and an initial operations and maintenance deposit. The County will be responsible for its portion of operation and maintenance expenses on a monthly basis, based on the Service Agreement. The County's purchases of wastewater services for the year ended June 30, 2002 were \$198,661.

Complete financial statements for the Wastewater Authority can be obtained from the South Central Wastewater Authority's Office at 900 Magazine Road, Petersburg, VA 23803.

**15. Related Organizations**

The County Board is responsible for appointing the members of the Chesterfield Industrial Development Authority (Development Authority), but the County Board's accountability for this organization does not extend beyond making the appointments. The Development Authority was established under the Industrial Development and Revenue Act, Code of the Commonwealth of Virginia. The Development Authority has the responsibility to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the County.

**16. Jointly Governed Organizations**

**A. Appomattox Basin Industrial Development Corporation**

The Appomattox Basin Industrial Development Corporation (ABIDCO) serves the Counties of Chesterfield, Dinwiddie and Prince George, as well as the Cities of Colonial Heights, Hopewell and Petersburg in their efforts to provide balanced industrialization to commission members.

The County has two representatives serving on the ABIDCO's 21-member board and contributed \$53,274 to the ABIDCO for the year ended June 30, 2002.

**B. Central Virginia Waste Management Authority**

The Central Virginia Waste Management Authority (Waste Authority) was established under the provision of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George, the Cities of Colonial Heights, Petersburg and Richmond and the Town of Ashland. The 20-member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2002 were \$2,880,262.

**County of Chesterfield, Virginia**  
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**C. Greater Richmond Partnership**

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area.

The County has one representative serving on the Greater Richmond Partnership's 14-member Board of Directors and contributed \$375,000 for the year ended June 30, 2002.

**D. Richmond Convention and Visitors Bureau**

The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved.

The RMCVB has 31 members and the County has three representatives serving on RMCVB's Board of Directors and contributed \$376,100 for the year ended June 30, 2002.

**E. Richmond Regional Planning District Commission**

The Richmond Regional Planning District Commission (RRPDC) is comprised of thirty-five members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future.

The County has six representatives serving on the RRPDC and paid total dues of \$155,941 for the year ended June 30, 2002.